

## MARKETING CAPSULE

1. The following factors influence consumer behavior:
  - a. Situational influences
    1. The buyer task: high-involvement vs. low-involvement
    2. Market offerings
    3. Demographics
  - b. External influences
    1. Culture
    2. Social class
  - c. Internal influences
    1. Learning and socialization
    2. Motivation
    3. Personality
    4. Lifestyle
    5. Attitudes

Given the hypothesis that attitudes influence buying behavior, how can a company bring its products and consumers' attitudes into a consistent state; that is, into a situation where consumers evaluate a given product or brand as satisfying their need? Marketers have two choices: either they can change consumers' attitudes to be consistent with their product, or they can change the product to match attitudes. It is easier to change the product than to change consumers' attitudes. Nevertheless, attitudes can sometimes be modified. Modifying attitudes might be the only reasonable choice, as when a firm is introducing a truly new product or an unusual new use for an existing one. Marketers should nevertheless face the fact that it is extremely difficult to change consumers' attitudes. If there is to be change, it is most likely to occur when people are open-minded in their beliefs or when an existing attitude is of weak intensity; that is, when there is little information to support the attitude or very little ego involvement on the individual's part. The stronger a person's loyalty to a certain brand, for example, the more difficult it is to change that attitude.

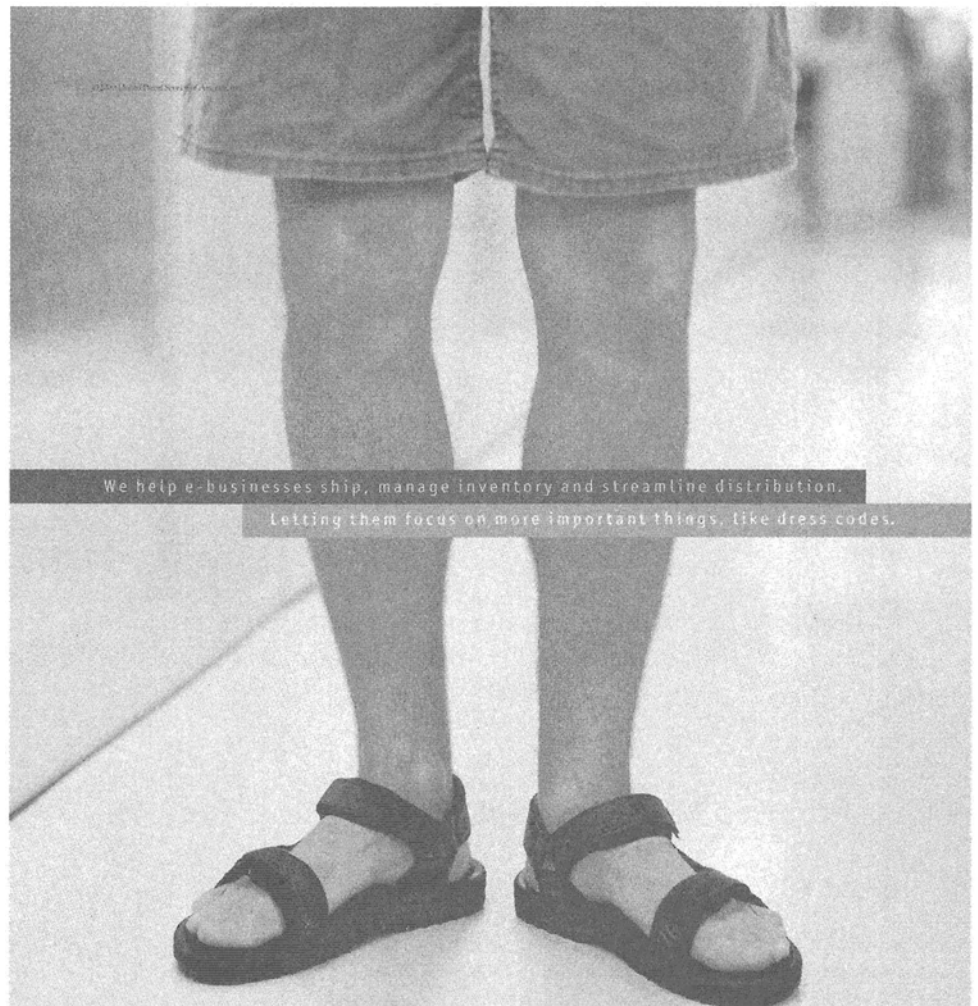
## ORGANIZATIONAL BUYER BEHAVIOR

Those who supply goods and services to consumer markets are themselves in need of goods and services to run their business. These organizations—producers, resellers, and government—make up vast marketing organizations that buy a large variety of products, including equipment, raw material, and labor and other services. Some organizations sell exclusively to other organizations and never come into contact with consumer buyers.

Despite the importance of organizational markets, far less research has been conducted on factors that influence their behavior than on factors that influence consumers. However, we can identify characteristics that distinguish organizational buying from consumer buying and typical steps in the organizational buying process.

### Characteristics of Organizational Buying

Many elements of the sociocultural environment discussed earlier influence organizational as well as consumer buying, but some additional forces are salient only in the organizational setting. In particular, each organization has its own business philosophy that guides its actions in resolving conflicts, handling uncertainty and risk, searching for solutions, and adapting to change. For example, Peabody Coal, which is part of a declining industry, relies on a conservative purchase strategy in an attempt to maintain their status quo.



Starting a successful e-business takes a great idea. Running one, however, takes order processing, inventory procurement, warehousing and timely fulfillment. Enter UPS. We'll help you cope with success by getting your product to customers when they need it. So you can stop worrying about losing your shirt. Assuming you were even wearing one. Call 1-800-PICK-UPS or visit ups.com  
MOVING at the SPEED of BUSINESS;



**AD 4.2** This ad illustrates organization behavior decision criteria.

Five characteristics mark the organizational buying process:

1. In organizations, many individuals are involved in making buying decisions,
2. The organizational buyer is motivated by both rational and quantitative criteria dominant in most organizational decisions; the decision makers are people, subject to many of the same emotional criteria used in personal purchases.

3. Organizational buying decisions frequently involve a range of complex technical dimensions. A purchasing agent for Volvo Automobiles, for example, must consider a number of technical factors before ordering a radio to go into the new model. The electronic system, the acoustics of the interior, and the shape of the dashboard are a few of these considerations.
4. The organizational decision process frequently spans a considerable time, creating a significant lag between the marketer's initial contact with the customer and the purchasing decision. Since many new factors can enter the picture during this lag time, the marketer's ability to monitor and adjust to these changes is critical.
5. Organizations cannot be grouped into precise categories. Each organization has a characteristic way of functioning and a personality.

The first item in this list of characteristics has important implications. Unlike the consumer buying process, organizational buying involves decision making by groups and enforces rules for making decisions. These two characteristics greatly complicate the task of understanding the buying process. For example, to predict the buying behavior of an organization with certainty, it is important to know who will take part in the buying process, what criteria each member uses in evaluating prospective suppliers, and what influence each member has. It is also necessary to understand something not only about the psychology of the individuals involved but also how they work as a group. Who makes the decision to buy depends in part on the situation. Three types of buying situations have been distinguished: the straight rebuy, the modified rebuy, and the new task.

The *straight rebuy* is the simplest situation: The company reorders a good or service without any modifications. The transaction tends to be routine and may be handled totally by the purchasing department. With the *modified rebuy*, the buyer is seeking to modify product specifications, prices, and so on. The purchaser is interested in negotiation, and several participants may take part in the buying decision. A company faces a *new task* when it considers buying a product for the first time. The number of participants and the amount of information sought tend to increase with the cost and risks associated with the transaction. This situation represents the best opportunity for the marketer.

## Stages in Organizational Buying

The organizational buying process contains eight stages, or key phrases, which are listed in Figure 4.3. Although these stages parallel those of the consumer buying process, there are important differences that have a direct bearing on the marketing strategy. The complete process occurs only in the case of a new task. Even in this situation, however, the process is far more formal for the industrial buying process than for the consumer buying process.

Most of the information an industrial buyer receives is delivered through direct contacts such as sales representatives or information packets. It is unlikely that an industrial buyer would use information provided through a trade ad as the sole basis for making a decision.

1. Problem recognition. The process begins when someone in the organization recognizes a problem or need that can be met by acquiring a good or service. Problem recognition can occur as a result of internal or external stimuli. External stimuli can be a presentation by a salesperson, an ad, or information picked up at a trade show.
2. General need description. Having recognized that a need exists, the buyers must add further refinement to its description. Working with engineers, users, purchasing

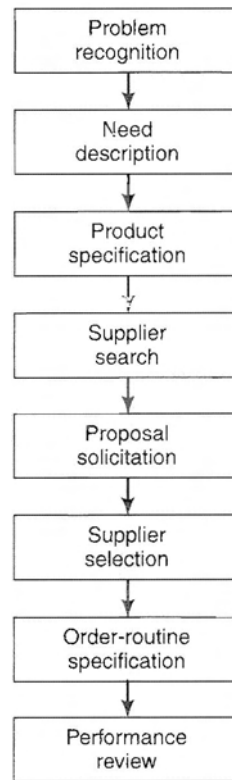


FIGURE 4.3 Stages of organizational buying

agents, and others, the buyer identifies and prioritizes important product characteristics. Table 4.1 lists several sources of information for many industrial customers. Armed with extensive product knowledge, this individual is capable of addressing virtually all the product-related concerns of a typical customer. To a lesser extent, trade advertising provides valuable information to smaller or isolated customers. Noteworthy is the extensive use of direct marketing techniques (for example, toll-free numbers and information cards) in conjunction with many trade ads. Finally, public relations plays a significant role through the placement of stories in various trade journals.

3. **Product specification.** Technical specifications come next. This is usually the responsibility of the engineering department. Engineers design several alternatives, depending on the priority list established earlier.
4. **Supplier search.** The buyer now tries to identify the most appropriate vendor. The buyer can examine trade directories, perform a computer search, or phone other companies for recommendations. Marketers can participate in this stage by contacting possible opinion leaders and soliciting support or by contacting the buyer directly. Personal selling plays a major role at this stage.
5. **Proposal solicitation.** Qualified suppliers are next invited to submit proposals. Some suppliers send only a catalog or a sales representative. Proposal development is a complex task that requires extensive research and skilled writing and presentation. In extreme cases, such proposals are comparable to complete marketing strategies found in the consumer sector.

TABLE 4.1 Industrial Buyer Information Sources

Source	Description
Salespeople	Sales personnel representing manufacturers or distributors of the product in question.
Technical sources	Engineering types of personnel internal or external to the subject's firm.
Personnel in buyer's firm	Peer group references (e.g., other purchasing agents in the subject's firm).
Purchasing agents in other companies	Peer group references external to the buyer's firm.
Trade association	<i>Cooperatives</i> voluntarily joined by business competitors designed to assist its members and industry in dealing with mutual problems (e.g., National Association of Purchasing Management).
Advertising in trade journals	Commercial messages placed by the manufacturer or distributor of the product in question.
Articles in trade journals	Messages relating to the product in question but not under the control of the manufacturer or distributor.
Vendor files	Information pertaining to the values of <i>various</i> sources of supply as developed and maintained by the buyer's firm.
Trade registers	Buyer guides providing listings of suppliers and other marketing information (e.g., <i>Thomas'Register</i> ).
Product literature	Specific product and <i>vendor</i> information supplied by the manufacturing or distributing firm.

- 6. Supplier selection.** At this stage, the various proposals are screened and a choice is made. A significant part of this selection is evaluating the vendor. One study indicated that purchasing managers felt that the vendor was often more important than the proposal. Purchasing managers listed the three most important characteristics of the vendor as delivery capability, consistent quality, and fair price. Another study found that the relative importance of different attributes varies with the type of buying situations.

For example, for routine-order products, delivery, reliability, price, and supplier reputation are highly important. These factors can serve as appeals in sales presentations and in trade ads.

- 7. Order-routine specification.** The buyer now writes the final order with the chosen supplier, listing the technical specifications, the quantity needed, the warranty, and so on.
- 8. Performance review.** In this final stage, the buyer reviews the supplier's performance. This may be a very simple or a very complex process.

### NEWSLINE: THE FUTURE OF THE CONSUMER

Experts say consumers in the new millennium will throw some surprising twists and turns into the business of target marketing, overturning some of the traditional thinking about what we'll buy, how we'll live, and where we'll work. "The 21st century will be the century of the consumer," says Roger Blackwell, a professor of marketing. "Marketers will have to push their understanding beyond knowing what people buy to knowing why they buy." The 2010s will be the "Linked Decade," defined by a busy, mature, ethnically heterogeneous

group of consumers who are confident in their ability to read anything, buy anything, and experience anything.

Several fundamental demographic changes will serve as the underpinning for this new consumer mind-set: the aging of the baby boom generation, the increasing importance of children as consumers, a growing chasm between society's haves and have-nots, and the world's increasingly diverse population.

Given that demographic backdrop, what will be the most powerful values shaping the consumer mind-set? The following possibilities have been proposed:

- The Shrinking Day-Harried baby boomers will create a time famine for themselves by working more hours and committing to more family and community obligations.
- The Connectedness Craze-The urge to connect will pervade all aspects of consumers' lives and increasingly consumers will turn to the World Wide Web for a sense of community between buyers and sellers, information suppliers and consumers, and friends and family.
- The Body vs. Soul Conundrum-Consumers will continue their obsession with fitness and spirituality, while at the same time consuming record amounts of take-out food.
- The Triumph of Individualism-Work, family, and purchase processes will reflect the consumer's need to be treated as a unique individual.

## MARKETING CAPSULE •

1. Organizational buyer behavior is different from consumer behavior:
  - a. Many individuals make the buying decision
  - b. Behavior is motivated by both rational and emotional factors
  - c. Decisions include a range of complex technical decisions
  - d. Lag time exists between contact and actual decision
  - e. Organizations cannot be grouped into precise categories
2. The following stages are involved in the organizational buying decision:
  - a. Problem recognition
  - b. General need description
  - c. Product specification
  - d. Supplier's research
  - e. Proposal solicitation
  - f. Supplier selection
  - g. Order-routine specification
  - h. Performance review





## IN PRACTICE

Understanding buyer behavior is a complicated process, with many factors influencing the process. Why and what products are purchased baffles marketers as much as understanding why certain products are not purchased. Ultimately, understanding buyer behavior influences the marketing mix used for a product.

Marketers must be able to answer two critical questions when assessing consumer and organizational buyer behavior: (1) How do buyers make purchase decisions? and (2) What factors influence decisions and in what way? Answering these questions correctly impacts the success of any product.

Consumer and organizational buyer behavior differ significantly. While considerable research about consumer purchasing decisions has been conducted, minimal research has been done about organizational buyer behavior. Marketers must understand the different factors and influences affecting each group and the impact of these on purchase decisions.

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The **Business Focus** section of **Marketplace** provides information

about various business activities, including purchasing. On the **Marketplace** home page, click on **Business Focus** on the left menu.

For information about consumer buying behavior, go to the Interactive Journal's **Front Section** and click on **Marketplace**. Click on **MarketingMedia**. Look for articles in the Advertising section. These articles discuss examples of advertising efforts that various companies employ to influence consumer buying decisions. Information about retail sales can also be found in **MarketingMedia**.

## DELIVERABLE

Using the Interactive Journal's **Business Index** feature under **Journal Atlas** on the left menu, select a consumer products company featured in today's Interactive Journal. Visit that company's website and search the Interactive Journal for information that will help you identify the Situational and External Influences for customers purchasing the company's product(s).

## DISCUSSION QUESTIONS

1. How can marketers use the Internet to influence consumer buyer behavior? Organizational buyer behavior?
2. How has business-to-business (B2B) commerce affected purchasing transactions?
3. What new factors or influences do you foresee impacting consumer buyer behavior? Organizational buyer behavior?
4. What ethical considerations (if any) do advertisers face when they try to influence buyer behavior?



## SUMMARY

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In this chapter, the rudiments of buyer behavior were presented. The chapter is divided into two parts: consumer behavior and organizational behavior. In the case of consumer behavior, the discussion began with six stages in the consumer decision-making process. These stages include need identification, information search and processing, evaluation of alternatives, product/service/outlet selection, purchase, and postpurchase behavior.

Following the material was a discussion of the factors that influence this decision-making process. The situational influences consist of the complexity, market offerings, and demographics. External influences include the culture, social class, reference groups, and the family. Finally, the internal influences identified were learning/socialization, motivation, personality, lifestyles, and attitudes.

The final section of the chapter dealt with issues germane to how organizations make buying decisions compared to how consumers make buying decisions. Discussion began with a description of the characteristics of organizational buying. The section concluded with a description of the stages followed in organizational buying. These stages were problem recognition, general need description, product specification, supplier's search, proposal solicitation, supplier selection, order-routine specification, and performance review.

## MARKETER'S VOCABULARY

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**Market** A group of potential buyers with needs and wants and the purchasing power to satisfy them.

**Need** A basic deficiency given a particular situation.

**Want** Placing certain personal criteria as to how a need should be fulfilled.

**Information search** Involves the mental as well as physical activities that consumers must perform in order to make decisions and accomplish desired goals in the marketplace.

**Attitude** An opinion we hold toward a person, idea, place, or thing.

**Cognitive dissonance** Negative feelings the consumer has after purchase.

**High-involvement decisions** Decisions that are important to the buyer because they are closely tied to self-image and have an inherent risk.

**Low-involvement decisions** Decisions that are not very important to the buyer because ego is not involved and risk is low.

**Culture** A large group of people with a similar heritage.

**Social class** People grouped together because of similar occupation, wealth, income, education, power, and prestige.

**Reference groups** Individuals who share common attitudes and behavior.

**Family lifecycle** Predictable stages experienced by families.

**Learning** Changes in behavior resulting from previous experiences.

**Socialization** The process by which persons acquire the knowledge, skills, and dispositions that make them more or less able members of their society.

**Motivation** An inner drive or pressure to take action to satisfy a need.

**Personality** A term used to summarize all the traits of a person that makes him/her unique.

**Lifestyle** A profile of an individual as reflected in their attitudes, interests, and opinions.